



To: HEC/DPA Award Recipients
From: Community Development Department
Date: August 1, 2008
Re: HEC/DPA Policy Changes #2

FSP-08-06

IHCDA has decided to make the following policy changes to the HEC/DPA program effective immediately.

- The utility allowance for the homebuyer proforma has been eliminated as an underwriting requirement for both the front end and back end ratios.
- URA requirements for HUD properties are applicable. However, in cases where HUD refuses to sign the URA notice, award recipients should attach a letter detailing this.
- The promissory note and mortgages have been revised to reflect the HOME subsidy for down payment assistance as a 5-year forgivable loan. Therefore, if any of the following events occur within 5 years from the date of the note and mortgage the loan must be paid back.
 - Sale of the property.
 - Refinance of the first mortgage on the property.
 - Payoff of the first mortgage on the property.
 - The unit is no longer the principal residence.

If none of the events described above occurs within the 5-year period the entire amount of the loan will be forgiven.

- In the event of default, the interest accrual on the outstanding principal balance has been revised from 18% per annum to 3% per annum.

We hope these changes will enable you to assist a greater number of individuals and families, as well as make the program easier to administer. If you have any questions regarding this memo, please contact Mike Recker at 317-234-2305.